

City of Rockville Retirement Board

June 15, 2006

PRESENT: Allen Gorrellick, Chairperson; John Sverha, Citizen Member; Anita McCombs, AAME Representative; Robert Dorsey, Councilperson; Scott Ullery, City Manager. Also in attendance were Gavin Cohen, Executive Secretary to the Board; Rich Hajewski, Director of Personnel; Mary Johnson, Personnel Administrator; Tim Peifer, Financial Systems Manager, and Stacey Tate, Budget Analyst.

ABSENT: Sgt. Tim Marsh, FOP Representative and John Dodson, Union Representative

The meeting commenced at 4:15 p.m. and started with introductions.

I. Approval of Minutes from December 8, 2005:

Mr. Gorrellick made a motion to accept the minutes subject to the correction of minor typing errors. Mr. Sverha so moved. All were in favor.

II. Award of Contract for Pension Fund Investment Consulting Services:

Mr. Gorrellick relayed to the Board that Hewitt Investment Group decided not to renew or bid on the contract for pension fund investment consulting services. Based on that, Mr. Cohen composed an RFP for pension fund investment consulting services. He received eleven responses in total. Of the eleven received he narrowed the group down to four and three of the four made very strong presentations. Mr. Cohen, Mr. Gorrellick, Ms. Tate and Ms. Jablonski interviewed the candidates and after talking through their observations and scoring it was decided to award a five year contract to Segal Advisors for pension fund investment consulting services. They won the award by only half of a point. The City can get out of the contract with 90 days notice if need be. The group felt that the City wouldn't go wrong with any of the three but that Segal was the best choice. Mr. Sverha asked if they indicated who would be assigned to the City's contract. Mr. Gorrellick said that both officers would be assigned. Robert Liberto handles the Defined Contribution portion and George Kiriakos handles the Defined Benefit portion. They both have been with Segal for 19 years. They can help the City and the employees greatly with analyzing our contract with Principal and looking at different investment choices available to Thrift participants and see which ones would be best for the employees. Mr. Sverha asked if Segal gains from trades and Mr. Gorrellick said not. Mr. Ullery inquired if they would attend all planned board meetings and Mr. Gorrellick replied yes. Mr. Gorrellick said that with Hewitt's quarterly reports there was no follow up and Segal said they would do reports with follow up as well as provide the educational component. They would educate the Board on items such as explaining the differences between equity and debt, an "Investment 101" type of educational services, and would be willing to provide this to the Board at no extra cost. Mr. Ullery questioned if Segal displayed examples of items that they would present at Board meetings and Mr. Gorrellick replied yes. Mr. Cohen relayed that the full proposal was available to anyone who wanted to look at it. Mr. Gorrellick made the motion that the Retirement board recommends to the City Manager to enter into a contract with Segal on behalf of the city and Mr. Sverha seconded it and the rest were in favor.

III. Consultant Tasks:

Mr. Cohen stated that it was very apparent that the reports from Hewitt contained a lot of terms and statistics, but was lacking in educational value. He said that he felt it would be beneficial to the Board to have an educational component for Board members that the consultants would do. He asked if the board would prefer to either have the yearly meeting extended to include this or have a separate meeting for the educational component. Mr. Sverha said that what was being suggested was fine with him. Mr. Dorsey said he trusted the chair to manage the time of the meeting and would go with what the chair feels is appropriate. Mr. Ullery also expressed interest. Mr. Cohen said he wants the consultant to have a look at the plan's investment policy with the consent of the Board. It was decided that there would be four tasks to be done by the consultant before the next meeting in November; 1) look at the overall investment policy with staff and prepare any changes they would recommend, 2) look at the entire family of funds, currently 14, and make sure there is no overlap and see if any can be consolidated, 3) see what it would take to add life cycle funds, and 4) analyze Principal's contract to achieve a better understanding of fees and

charges. Everyone agreed to the four tasks and two meetings each year, the regular one in November and a training one in June. Mr. Ullery requested that they hold an educational one in September instead of waiting until next June.

IV. FOP Retirement Cap:

A call was placed to Mike Delaney of Principal at 4:35. The call was put on the speaker/phone. Mr. Delaney said a study was done to see what the benefit would cost to raise the cap from 60% to 67.50% for the FOP plan. He said that the plan could be amended and the cap changed with no additional cost to the plan. Mr. Sverha asked Mr. Delaney to briefly explain why there would be no additional cost. Mr. Delaney said that no one currently in the plan has more than 60% and will not reach that level and anyone who leaves after twenty five years of service won't be affected and cost is pretty small for any who retire with more than 25 years of service. Mr. Ullery made a motion to modify the FOP Retirement Cap, increasing it from 60% to 67.5%. Ms. McCombs seconded it and all the rest in favor.

V. Uniform Management of Public Employees Retirement Systems Act (UMPERSA):

Mr. Cohen informed the Board that there has been a change in legislation that states we as Board members and trustees accept our fiduciary responsibility to the plan and there will be plan amendment language put in the plan to change this.

Mr. Sverha asked what prompted this action? Mr. Cohen stated that the plan language has been there a long time and the program started a long time ago and slowly States are getting on board with it and just reemphasizing and trying to get it uniform across the country. Mr. Sverha made motion to be approved. Mr. Ullery seconded and all the rest were in favor.

VI. Life Cycle Funds:

Mr. Sverha asked if this item should wait until November when the Board would receive guidance from Segal. Mr. Cohen stated that Life Cycle Fund Options could help participation. Investment choices should be changing and should be more conservative as one gets closer to retirement. Principal says that the Life Cycle Fund Options help with participation and help eliminate confusion of choices. Mr. Cohen said he would submit these to the consultants to include with the analysis for the November meeting. Mr. Gorrellick stated that he had only one problem and that is that Principal chooses what investments are included in each of the Life Cycle Funds and his concern is that money is invested where Principal prefers to have it invested and generally that is Principal Funds. Mr. Sverha asked if we could have consultants look at funds that Principal recommends and see if they should be changed. Mr. Gorrellick asked how Principal decides if it should be part of life cycle funds. Mr. Gorrellick said that he would like to table this item until the November meeting. Mr. Ullery stated that he would like accelerated training to be done in September. Mr. Cohen said that would be a good time to meet with the consultants before the November meeting. Mr. Gorrellick requested to add to the November meeting for the consultants to look into what protection is there for the members of the Board and what liabilities are there.

Mr. Gorrellick made motion to adjourn at 4:59 p.m. and Mr. Ullery seconded it. All the rest were in favor.